



## Citi Sponsored Report Highlights Mutual Fund Assets in China to Triple to over \$1 Trillion by 2015

**Hong Kong, London and New York – June 20, 2012** – An independent report released today, commissioned by Citi, titled ***China: the World's Best Opportunity for Asset Managers?*** identifies significant potential opportunities for growth in the retail and institutional asset management industry in China. The report, compiled by Z-Ben Advisors, attributes this potential growth to:

- Public (mutual fund) assets tripling by 2015 to reach over US\$1 trillion, and possibly doubling again by 2020, as policy changes are instituted to encourage the development of investment markets and internalization of the currency;
- Significant growth in the pension system designed to meet the demographic challenge of a rapidly aging population;
- Institutional investors diversifying away from direct holdings of sovereign bonds and into managed equity and alternative portfolios, in search of higher returns and lower correlations;
- The evolution of China as its own distinct asset class ( separate from “BRICS” and emerging markets);
- The convergence between China's share of global market capitalization (currently at 11%) and global investors' significant underweight to Chinese equities (currently at 0.1%).

"Economic development has led to a large and growing middle class in China, however there has been a disconnect between Chinese savers becoming wealthier, but not investing their money," said Peter Alexander, Managing Director, Z-Ben Advisors, Shanghai. "Regulators are keen to jump on this and to provide a stable environment that will underpin the country's objectives for more big-picture economic growth."

The report further explores that, although China has an open architecture for retail financial product sales, domestic banks remain the dominant distribution channel with foreign banks expected to become fund distributors in the near future. The institutional markets, with more sophisticated views on asset allocation and investments, are changing faster and may offer more near-term opportunities for asset managers. Private equity and hedge-type investments will continue to gather momentum. Exchange Traded Funds (ETFs) have developed rapidly, with positive regulatory support.

"This is an exciting time for the asset management industry in China and the future is decidedly bright. China remains a highly complex market, and while continued liberalization offers hope, it does not necessarily bring simplicity", said Stewart Aldcroft, Senior Advisor to Citi Transaction Services, Asia Pacific, on asset management industry issues. "An on-the-ground presence and a clear strategy to structure a market entry effort can maximize the chance of success."

The report further notes that when considering what approach to take to China's financial markets, it's important to remember that regulatory changes can be uncertain. While first movers typically have an extremely strong advantage, regulatory changes – one of the prime levers of growth – rarely occur in isolation or without warning.

"China's asset management industry is undergoing significant transformation," said David Russell, Asia Head of Securities and Fund Services, Citi. "Through our Market Intelligence reports and solutions like Citi OpenInvestor<sup>sm</sup>, we strive to help our clients not only understand market dynamics, but also help identify new opportunities for growth and increased profitability."

Citi OpenInvestor is the investment services solution for today's diversified investor, combining specialized expertise, comprehensive capabilities and the power of Citi's global network to help clients meet performance objectives across asset classes, strategies, and geographies. With a network that spans more than 95 countries and over US\$13 trillion in assets under custody, Citi offers award winning service and unmatched scale. Citi provides complete investment services for institutional, alternative, and wealth managers delivering middle office, fund services, custody, investing and financing solutions focused on clients' specific challenges, customized to their individual needs.

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#### **About Citi Transaction Services**

Citi Transaction Services, a division of Citi's Institutional Clients Group, offers integrated cash management, trade, and securities and fund services to multinational corporations, financial institutions and public sector organizations around the world. With a network that spans more than 95 countries, Citi Transaction Services supports over 65,000 clients. As of the first quarter of 2012, it held on average US\$377 billion in liability balances and US\$13 trillion in assets under custody.

#### **About Z-Ben Advisors**

Z-Ben is a Shanghai-based boutique consulting firm whose core analytical interest is in exploring all opportunities open and available to the foreign asset management and servicing community within the Chinese investment management market. Established in 2004, Z-Ben brings together a diverse team of professionals well versed in both the local dynamics and global needs of the financial services industry. Z-Ben is recognized throughout the industry for the fast delivery of top-quality, independent analyses and objective opinions.